

KENTUCKY ECONOMIC INDICATORS

December Indicators as of March 2, 2004

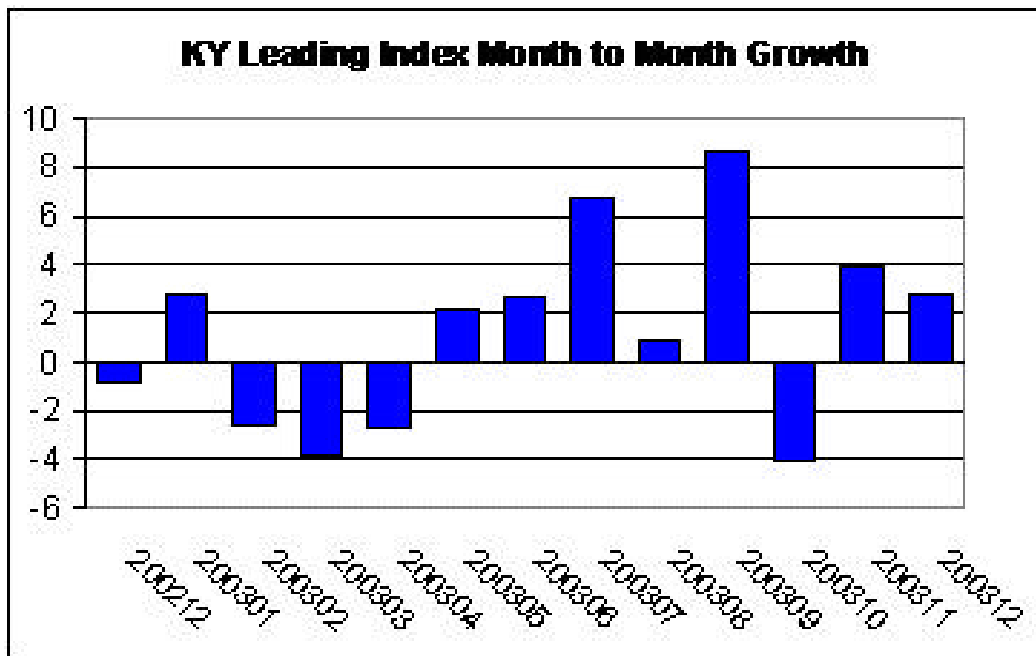
- **KY Composite Index of Leading Indicators increased 2.8 percent for December.**
 - ✍ The Leading Index increased for the eighth time this year.
 - ✍ The Leading Index rose by 1.4 percent over the same month last year.
 - ✍ Component indicators were positive with gainers over losers 4:1.
 - KY Labor Intensity Index decreased 2.5 percent.
 - + The Conference Board's US Leading Index increased 2.1 percent.
 - + The Index of KY Initial Claims increased 2.1 percent.
 - + US Retail Sales increased 2.3 percent.
 - + Louisville Help Wanted Index (HWI) increased by 8 points to 57.
- **KY Composite Index of Coincident Indicators decreased 0.4 percent for December.**
 - ✍ The Coincident Index decreased for the first time in six months.
 - ✍ Year over year change was positive for the third consecutive month by 0.9 percent.
 - ✍ Component indicators were mixed losers over gainers 2:1.
 - KY Total Nonagricultural Employment decreased by 0.3 percent.
 - US Personal Income Less Transfers decreased by 1.3 percent.
 - + US Industrial Production Index increased 0.1 percent.

The KY Leading Index grew by 2.8 percent for December. This is the seventh positive month of growth since the three consecutive decreases recorded in February to April. These seven moderate-to-strong growth months are encouraging for Kentucky's economic outlook.

The Kentucky Labor Intensity Index, which carries the greatest weight in the Leading Index, has alternated signs for the last seven months. Employment in all five manufacturing sectors in the Kentucky Labor Intensity Index has decreased slightly or remained flat throughout 2003. Meanwhile, there is considerable activity in the average weekly hours measure for these five industries. Average weekly hours for Chemical Products increased steadily since the end of 2001 with a slightly sharper increase for most of 2003. Average weekly hours for Fabricated Metals declined sharply for January to April of 2003 then increased sharply over the last eight months. Average weekly hours for Wood and Lumber declined sharply in 2002, increased for most of 2003 then dropped again for the last four months of the year, ending just slightly above its all-time low of 36.3 (March 2003). Average weekly hours in Rubber and Plastics has been highly erratic, but contains a small positive trend. Transportation Equipment average weekly hours fell sharply January to March 2003 then grew steadily through December 2003, but not quite regaining its pre-recession level.

On the optimistic side, Kentucky Manufacturing Employment grew by 2.7 percent SAAR for December. Also, Kentucky Nonagricultural Employment has gained a net of 5,000 jobs since August 2003.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

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SELECTED KENTUCKY ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2003												
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
KY Leading Index (1992=100)	110.7	110.9	110.7	110.3	110.0	110.2	110.5	111.1	111.2	112.0	111.6	111.9	112.2
	-0.8	2.8	-2.7	-3.8	-2.8	2.2	2.7	6.8	0.9	8.6	-4.1	3.9	2.8
	0.3	0.4	0.0	-0.4	-0.5	-0.4	-0.6	0.0	0.2	1.3	0.9	1.1	1.4
KY Coincident Index (1992=100)	127.7	128.1	128.1	127.8	127.5	127.6	127.5	127.7	127.9	128.1	128.4	129.1	129.0
	-3.5	4.0	-0.2	-2.6	-3.0	1.0	-0.5	1.4	1.7	2.2	3.2	6.0	-0.4
	0.2	0.3	0.3	0.0	-0.4	-0.4	-0.7	-0.2	-0.2	0.1	0.3	0.8	1.0
KY Nonag Employment (000s)	1,783.3	1,792.5	1,785.3	1,783.1	1,774.6	1,773.0	1,770.9	1,761.2	1,768.2	1,767.3	1,773.3	1,774.8	1,774.4
	-2.8	6.4	-4.7	-1.5	-5.6	-1.1	-1.4	-6.4	4.9	-0.6	4.2	1.0	-0.3
	-0.1	-0.1	-0.2	-0.4	-0.8	-0.8	-0.9	-0.8	-0.9	-0.9	-0.7	-0.7	-0.5
KY Mfg Employment (000s)	272.8	272.1	271.8	272.0	269.7	268.9	268.3	269.4	269.3	268.6	269.0	267.7	268.3
	-0.9	-3.0	-1.3	0.9	-9.7	-3.5	-2.6	5.0	-0.4	-3.1	1.8	-5.6	2.7
	-3.1	-3.0	-2.7	-2.4	-2.9	-2.7	-2.7	-1.9	-1.8	-1.5	-1.8	-1.9	-1.6
KY Unemployment Rate (%)	5.5	5.3	5.7	5.7	5.8	5.7	5.9	6.1	5.8	5.9	5.6	5.6	5.4
KY Index of Initial UI Claims	99.0	100.3	99.7	98.8	98.4	99.0	99.1	99.8	100.2	100.0	101.1	101.4	101.6
	-17.3	17.2	-6.4	-10.7	-5.0	7.9	1.0	9.2	4.1	-2.3	15.1	3.4	2.1
	-0.5	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9	-0.2	0.6	1.6	0.9	2.6
KY Labor Intensity Index (1992=100)	105.3	105.1	105.0	104.2	104.4	104.2	104.2	104.4	104.3	104.4	104.3	104.7	104.5
	4.0	-2.3	-1.4	-7.8	1.9	-2.0	-0.7	3.0	-1.3	0.7	-0.6	4.0	-2.5
	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0	-0.9	-0.8	-0.9	-0.9	-0.3	-0.8
Louisville Help Wanted Index (1992=100)	53.0	55.0	60.0	58.0	50.0	47.0	49.0	50.0	47.0	73.0	50.0	49.0	57.0
	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4	-52.4	19,610.6	-98.9	-21.5	514.0
	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9	-21.7	25.9	-13.8	-14.0	7.5
Gen. Fund Total Receipts (\$ mil)	642.1	635.4	419.7	438.0	696.4	416.4	617.6	470.9	459.6	628.9	530.4	531.1	676.1
	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2	-5.9	-4.1	-7.1	0.7	5.3
Gen. Fund Sales & Use Receipts (\$ mil)	192.5	233.3	150.6	165.6	199.7	190.2	191.6	208.2	197.3	200.4	213.3	199.0	207.9
	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2	-14.7	-0.4	-1.9	5.3	8.0
Gen. Fund Income Tax Receipts (\$ mil)	227.9	290.9	204.7	117.0	354.4	158.2	267.9	206.6	224.2	273.0	228.1	224.0	247.6
	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1	10.0	-2.2	-4.0	3.2	8.6

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002												2003														
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
US Leading Index (1982=100)	111.1	111.0	110.6	110.4	110.5	111.6	112.0	112.8	113.2	113.3	113.9	114.2	114.4	111.1	111.0	110.6	110.4	110.5	111.6	112.0	112.8	113.2	113.3	113.9	114.2	114.4	
	1.1	-1.1	-4.2	-2.1	1.1	12.6	4.4	8.9	4.3	1.1	6.5	3.2	2.1	1.1	12.6	-4.2	-2.1	1.1	12.6	4.4	8.9	4.3	1.1	6.5	3.2	2.1	
	0.7	0.2	-0.4	-0.6	-0.3	0.2	0.8	1.6	2.2	2.7	3.3	2.9	3.0	0.7	0.2	-0.4	-0.6	-0.3	0.2	0.8	1.6	2.2	2.7	3.3	2.9	3.0	
US Coincident Index (1992=100)	114.2	114.4	114.2	114.2	114.1	114.3	114.4	114.7	114.7	114.9	115.1	115.5	115.5	114.2	114.4	114.2	114.2	114.1	114.3	114.4	114.7	114.7	114.9	115.1	115.5	115.5	
	-2.1	2.1	-2.1	0.0	-1.0	2.1	1.1	3.2	0.0	2.1	2.1	4.3	0.0	-2.1	1.1	-2.1	0.0	-1.0	2.1	1.1	3.2	0.0	2.1	2.1	4.3	0.0	
	0.2	0.3	0.1	0.2	-0.1	0.0	-0.1	0.3	0.3	0.5	0.7	1.0	1.1	0.2	-0.1	0.1	0.2	-0.1	0.0	-0.1	0.3	0.3	0.5	0.7	1.0	1.1	
US Nonag Employment (Mil)	130.1	130.2	130.0	129.9	129.9	129.9	129.9	129.8	129.8	129.9	129.9	130.0	130.0	129.9	129.9	130.0	129.9	129.9	129.9	129.9	129.8	129.8	129.9	129.9	130.0	130.0	
	-1.9	0.9	-1.5	-1.0	-0.2	-0.3	-0.1	-0.4	-0.2	0.6	0.8	0.8	0.1	-0.3	-0.1	-0.2	-0.2	-0.2	-0.3	-0.1	-0.4	-0.2	0.6	0.8	0.8	0.1	
	-0.4	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	0.0	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	0.0	
US Unemployment Rate (%)	6.0	5.8	5.9	5.8	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.9	5.7	6.0	6.1	6.1	6.1	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.9	5.7	
US Initial Claims for UI (000s)	410.5	386.7	408.6	423.3	447.2	431.6	425.9	398.5	402.8	404.8	381.2	362.4	355.5	410.5	425.9	408.6	423.3	447.2	431.6	425.9	398.5	402.8	404.8	381.2	362.4	355.5	
	90.7	-51.2	93.7	52.8	93.3	-34.7	-14.7	-55.0	13.7	6.1	-51.4	-45.5	-20.6	90.7	-14.7	93.7	52.8	93.3	-34.7	-14.7	-55.0	13.7	6.1	-51.4	-45.5	-20.6	
	2.0	-3.6	5.0	0.8	3.4	5.8	8.6	3.0	1.3	-2.9	-7.2	-6.8	-13.4	2.0	8.6	5.0	0.8	3.4	5.8	8.6	3.0	1.3	-2.9	-7.2	-6.8	-13.4	
US Industrial Production Index	110.6	111.2	111.6	110.8	110.1	110.0	110.0	110.8	110.9	111.5	111.8	112.9	112.9	110.6	110.0	111.6	110.8	110.1	110.0	110.0	110.8	110.9	111.5	111.8	112.9	112.9	
	-5.7	6.2	4.6	-8.4	-7.1	-0.8	-0.4	9.6	0.3	7.1	3.1	12.8	0.1	-5.7	-0.4	4.6	-8.4	-7.1	-0.8	-0.4	9.6	0.3	7.1	3.1	12.8	0.1	
	1.4	1.3	1.5	0.4	-0.6	-0.8	-1.5	-0.6	-0.6	0.1	0.7	1.6	2.1	1.4	-1.5	1.5	0.4	-0.6	-0.8	-1.5	-0.6	-0.6	0.1	0.7	1.6	2.1	
US Per. Income Less Trans. (Bil 92\$)	7,342.6	7,347.4	7,347.2	7,356.4	7,377.0	7,410.8	7,412.1	7,429.0	7,432.1	7,439.0	7,460.7	7,503.7	7,495.4	7,342.6	7,412.1	7,347.2	7,356.4	7,377.0	7,410.8	7,412.1	7,429.0	7,432.1	7,439.0	7,460.7	7,503.7	7,495.4	
	-3.2	0.8	0.0	1.5	3.4	5.6	0.2	2.8	0.5	1.1	3.6	7.1	-1.3	-3.2	0.2	0.0	1.5	3.4	5.6	0.2	2.8	0.5	1.1	3.6	7.1	-1.3	
	-0.5	-0.1	-0.2	-0.1	0.2	0.4	0.2	0.7	0.9	1.1	1.3	1.9	2.1	-0.5	0.2	-0.2	-0.1	0.2	0.4	0.2	0.7	0.9	1.1	1.3	1.9	2.1	
CPI, All Urban (1982-84=100)	181.6	182.2	183.2	184.0	183.4	183.3	183.5	183.8	184.5	185.1	184.9	184.6	184.9	181.6	183.5	183.2	184.0	183.4	183.3	183.5	183.8	184.5	185.1	184.9	184.6	184.9	
	1.3	4.0	6.8	5.4	-3.8	-0.7	1.3	2.0	4.7	4.0	-1.3	-1.9	2.0	1.3	1.3	6.8	5.4	-3.8	-0.7	1.3	2.0	4.7	4.0	-1.3	-1.9	2.0	
	2.5	2.6	3.0	3.1	2.2	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.8	2.5	2.1	3.0	3.1	2.2	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.8	
US Retail Sales (Bil 84\$)	304.5	307.5	302.7	309.6	308.7	310.2	313.1	317.5	320.7	319.6	319.7	323.1	323.7	304.5	313.1	302.7	309.6	308.7	310.2	313.1	317.5	320.7	319.6	319.7	323.1	323.7	
	12.9	12.1	-16.9	30.7	-3.4	6.1	11.9	18.1	12.7	-4.0	0.3	13.4	2.3	12.9	11.9	-16.9	30.7	-3.4	6.1	11.9	18.1	12.7	-4.0	0.3	13.4	2.3	
	3.8	5.2	3.0	5.4	3.6	5.6	5.1	5.5	6.0	7.2	6.6	7.2	6.3	3.8	5.1	3.0	5.4	3.6	5.6	5.1	5.5	6.0	7.2	6.6	7.2	6.3	
Manufacturing & Trade Sales (000s)	855.6	861.4	845.0	855.9	853.1	860.4	870.1	883.0	878.0	885.8	889.4	893.0	*892.1	855.6	870.1	845.0	855.9	853.1	860.4	870.1	883.0	878.0	885.8	889.4	893.0	*892.1	
	-1.3	8.3	-20.5	16.5	-3.8	10.8	14.4	19.2	-6.6	11.3	5.0	5.0	-1.2	-1.3	14.4	-20.5	16.5	-3.8	10.8	14.4	19.2	-6.6	11.3	5.0	5.0	-1.2	
	1.7	1.9	0.1	2.2	0.6	1.4	2.4	3.0	2.4	4.2	4.5	4.3	4.3	1.7	2.4	0.1	2.2	0.6	1.4	2.4	3.0	2.4	4.2	4.5	4.3	4.3	
US Consumer Sentiment (1966=100)	80.8	72.8	69.9	69.6	79.3	91.4	86.4	83.7	82.5	80.8	83.0	88.1	89.8	80.8	86.4	69.9	69.6	79.3	91.4	86.4	83.7	82.5	80.8	83.0	88.1	89.8	
	41.4	-71.4	-38.6	-5.0	378.6	449.6	-49.1	-31.7	-15.9	-22.1	38.0	104.5	25.8	41.4	-49.1	-38.6	-5.0	378.6	449.6	-49.1	-31.7	-15.9	-22.1	38.0	104.5	25.8	
	-1.8	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	2.4	1.1	13.5	12.2	11.1	-1.8	-1.7	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	2.4	1.1	13.5	12.2	11.1	
Ave. Prime Interest Rate (%; NSA)	4.25	4.25	4.25	4.25	4.25	4.25	4.22	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.22	4.25	4.25	4.25	4.25	4.22	4.00	4.00	4.00	4.00	4.00	4.00	
* ARIMA estimation																											

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